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PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDBU RUEHDF RUEHIK RUEHLH RUEHLN  
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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 2510

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 4965

RUEHBJ/AMEMBASSY BEIJING PRIORITY 2725

RUEHKO/AMEMBASSY TOKYO PRIORITY 2590

RUEHIT/AMCONSUL ISTANBUL PRIORITY 3209

RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEHBS/USEU BRUSSELS PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

RUEKJCS/Joint STAFF WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

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SENSITIVE

SIPDIS

SCA/CEN; EEB

PLEASE PASS TO USTDA DAN STEIN

ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR HUEPER

E.O. 12958: N/A

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SUBJECT: TURKMENISTAN'S OIL AND GAS MINISTER CONFIDENT THAT STATE ASSETS CAN BOOST GAS PRODUCTION

**¶1.** (SBU) SUMMARY: According to Turkmenistan's Minister of Oil and Gas, the country has abundant, as yet undeveloped, oil resources. He said his Ministry handles strategic planning for the hydrocarbon sector. Significant increases in gas production are planned and will be managed by state enterprises, entering service contracts with foreign firms as needed. The Minister mentioned that the price for exported gas is controlled by the President, based on a European formula. Preparations for new pipelines to Russia and Iran are proceeding. END SUMMARY.

ABUNDANT OIL RESOURCES

**¶2.** (SBU) On March 17, Minister for Oil and Gas Industry and Mineral Resources Annaguly Deryayev met with a visiting U.S. energy expert to discuss the Ministry's role in hydrocarbon development. The Minister kicked off the meeting by noting that Turkmenistan currently has 150 oil fields, with only 30 percent of them currently in development.

OIL AND GAS MINISTRY HANDLES STRATEGIC PLANNING

**¶3.** (SBU) He outlined briefly the roles of the various government entities that handle oil and gas issues. Turkmen State Oil Concern is responsible primarily for managing the production processes for oil, and the State Gas Concern--production of natural gas. He said that Turkmen Geological Corporation is responsible for resource exploration, and the State Oil and Gas Construction Concern handles the construction of related facilities. The State Agency for the Management and Use of Hydrocarbons, he said, primarily manages the offshore PSAs. The Turkmenbashy and Seyidi refineries are under the ministry's umbrella, as are the State Chemical Concern, the State Fisheries Committee, and a special committee on development of the Avaza National Tourist Zone, he added. The Oil and Gas Ministry itself is a strategic planning body that also ensures the president's

policies regarding the sector are fulfilled.

#### AMBITIOUS GOALS FOR NEW GAS PRODUCTION...

¶14. (SBU) Deryayev, referring to the national plan for oil and gas development to 2030, indicated that the government expected the ambitious production goals for gas (some 250 bcm) to be met by additional production coming from the Central Karakum fields, South Yoloten and Garagul Gurrubkil. (NOTE: Post assumes that Garagul Gurrubkil refers to a group of fields just east of Dovletabad in the southernmost corner of the country. END NOTE.)

#### ...TO BE HANDLED BY STATE ENTERPRISES

¶15. (SBU) Deryayev said that most oil production comes from the western regions of the country (70 percent) and from offshore fields (30 percent). He added that the government is expecting state enterprises, rather than foreign companies, to produce nearly 100 percent of the gas in coming years. He indicated that Turkmen Gas has an effort underway to sign service agreements with companies like Weatherford, Halliburton, Smith International and others to boost gas production at existing gas extraction operations, where there is a major need to modernize gas extraction and processing facilities.

#### GAS EXPORT PRICING CONTROLLED BY PRESIDENT

¶16. (SBU) Responding to questions about how Turkmenistan handles the pricing of its gas, Deryayev became more nervous,

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but said that recent price increases for exports to Russia and Iran were "controlled by the president," but were set based on a "European formula". Turkmenistan re-negotiates prices with its export partners every three months, he said, but he did not want to discuss the details of Turkmenistan's pricing agreement with Russia.

¶17. (SBU) He indicated that a feasibility study for the proposed Caspian littoral pipeline that would send more gas to Russia from the western part of the country was currently underway. He also noted that a newly-proposed pipeline from Turkmenistan's Yolotan area southwest to Iran would have a 6-8 bcm per year capacity. In response to questions about how the recently-reported agreement with Iran happened and what it entailed, Deryayev denied the deal included any low-interest loans from Iran, because "Turkmenistan has a policy against taking loans from foreign governments."

¶18. (SBU) COMMENT: Although the 35 year-old Deryayev is a former drill engineer who knows the nuts and bolts of oil extraction, he seemed uncomfortable in the policy and strategic planning role he has had since his October 2008 ministerial appointment. His official biography suggests he has never been out of the country. Like so many other senior officials in this government, however, he has quickly learned what he should or should not share with interested foreign visitors. END COMMENT.

MILES